

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

ANNUAL COMPLIANCE REVIEW, 2015

Docket No. ACR2015

RESPONSES OF THE UNITED STATES POSTAL SERVICE TO
QUESTIONS 1 AND 2 OF CHAIRMAN'S INFORMATION REQUEST NO. 5

The United States Postal Service hereby provides its responses to the above-listed questions of Chairman's Information Request No. 5, issued on January 21, 2016. Each question is stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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1. The FY 2016 Plan must “[cover] each program activity set forth in the Postal Service budget....” 39 U.S.C. § 2803(a). In its Analysis of the Postal Service’s FY 2014 Program Performance Report and FY 2015 Performance Plan,¹ the Commission determined that “Postal Service budget” means its operating budget that is part of the Integrated Financial Plan. FY 2014 Analysis at 10. In the FY 2014 Analysis, the Commission also directed the Postal Service, in its FY 2016 Plan, to “identify all program activities in its budget and explain how the FY 2016 Plan covers each one.” *Id.* at 11. Please identify all of the program activities in the operating budget and explain how the FY 2016 Plan covers each one.

RESPONSE:

The Postal Service’s Annual Report responsibilities are noted in 39 U.S.C. § 2803, which provides that “[t]he Postal Service shall prepare an annual performance plan covering each program activity set forth in the Postal Service budget....” While the term “covering” is not defined in the statute, section 2801 of Title 39 defines “program activity” as “a specific activity related to the mission of the Postal Service....” As the entity tasked with operating the nation’s mail system, the Postal Service is the only agency with authority to interpret this section.

USPS-FY-15-17 contains the Postal Service’s 2015 Annual Report to Congress, which includes the FY2015 Annual Performance Report and FY2016 Annual Performance Plan. The FY2015 Report and FY2016 Plan identify four Corporate-wide Goals

¹ Docket No. ACR2014, Analysis of the Postal Service’s FY 2014 Program Performance Report and FY 2015 Performance Plan, July 7, 2015 (FY 2014 Analysis).

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(Goals): Deliver High-Quality Services, Provide Excellent Customer Experiences, Ensure a Safe Workplace and Engaged Workforce, and Sustain Controllable Income. All of these Goals can be said to impact the Postal Service's budget and basic mission, because they affect the agency's general viability and effectiveness as a service provider to the American public.

Specifically, if the Postal Service can "Deliver High-Quality Services" (Goal 1), it is providing value to its customers, meaning they will want to pay for Postal Service products and services, which in turn will sustain and even improve the Postal Service's bottom line. Similarly, if the Postal Service can "Provide Excellent Customer Experiences" (Goal 2), the result will be loyal customers who continue to use its services. By "Ensuring a Safe Workplace and Engaged Workforce" (Goal 3), the Postal Service will experience increased productivity and efficiency from its employees, which will impact its budget as well as its ability to provide mail services to the public. Finally, all of the first three Goals, if effectively carried out, will contribute to Goal 4: "Sustain Controllable Income." Clearly, meeting this fourth goal also works to improve the Postal Service's budget and finances, and hence its ongoing ability to provide the nation with effective mail services and products.

Based on the above summary, the Postal Service has met the broad requirements of 39 U.S.C. § 2803, as its FY2016 Annual Performance Plan addresses each of the four Corporate-wide Goals noted above. See USPS-FY-15-17, pages 11-28.

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The Performance Plan can still be said to meet the requirements of these portions of the statute even using the alternative definition of the term "program activity" utilized in the Government Performance and Results Act of 1993, or GPRA (39 U.S.C. § 1101 *et seq.*) that applies to other federal agencies. The GPRA states that "'program activity' means a specific activity or program as listed in the program and financing schedules of the annual budget of the United States Government." 31 U.S.C. § 1115(h)(11). The Senate Report for the GPRA, in its section-by-section analysis of the statute, defines the term similarly, stating that "program activity":

refers to the listings of projects and activities in the appendix portion of the Budget of the United States Government. That appendix contains one or more program and financing schedules for each agency, one part of which is the "Program by activities" section.

S. REP. 103-58, 1993 U.S.C.C.A.N. 327, 358.

The FY2016 United States Budget lists the following as program activities for the Postal Service:

- Postal field operations
- Transportation
- Building occupancy
- Supplies and services
- Research and development
- Administrative and area operations

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- Interest
- Servicewide expenses
- Capital Investment
- Change in resources on order and inventory

Fiscal Year 2016 Appendix, Budget of the U.S. Government (Office of Management and Budget), page 1312.

Again, the FY2015 Report and FY2016 Plan identify four Corporate-wide Goals: Deliver High-Quality Services, Provide Excellent Customer Experiences, Ensure a Safe Workplace and Engaged Workforce, and Sustain Controllable Income. All of the program activities identified in the FY2016 United States Budget, and listed above, at a minimum concern the fourth Corporate-wide Goal: Sustain Controllable Income. Put another way, the Postal Service plans and carries out program activities such as Transportation and Capital Investment largely with a view towards sustaining controllable income; this is an especially critical consideration in light of the Postal Service's current financial difficulties. Of course, those program activities generally also contribute to the other goals of delivering high-quality services, providing excellent customer experience, and ensuring both a safe workplace and an engaged workforce.

Thus, the Postal Service has met the requirements of 39 U.S.C. § 2803 even under the definition of "program activities" applied by the GPRA to other federal agencies, since its

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FY2016 Performance Plan covers all program activities by subsuming them within the agency's Corporate-wide Goal of Sustaining Controllable Income, as well as the other Goals.

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2. In its FY 2015 Annual Report, the Postal Service states that in FY 2016 it expects “that the eventual completion of the second phase of the network consolidation project...will improve overall service performance...” FY 2015 Annual Report at 15. Please explain how the completion of the second phase of the network consolidation project is expected to improve service performance and which performance measures would be impacted. See FY 2015 Annual Report at 14.

RESPONSE:

In the Annual Report, the Postal Service noted that completion of the second phase, “...coupled with our current efforts to re-balance our air and surface networks...” will improve overall service. The completion of the second phase will reduce the number of distribution nodes and separations being made each day. Each node/separation represents a potential failure point, and the reduction of these points will decrease failures. The consolidations also free up equipment that is to be relocated to other sites to improve quality and capacity. These changes, again coupled with a balanced air and surface network, will allow the Postal Service to improve First-Class Mail service.